

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Eurozone PMI[®]

Employment falls at fastest pace in four years as output decreases

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 49.5 (November: 48.3). 2-month high.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 51.4 (November: 49.5). 2-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 44.5 (November: 45.1). 12-month low.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 45.2 (November: 45.2). Unchanged pace of decline.

Data were collected 05-12 December

Provisional PMI[®] survey data for December showed that the Eurozone private sector ended the year still in contraction as business activity decreased for the second month running. Output was scaled back amid sustained reductions in new orders. Meanwhile, the pace of job cuts was the fastest in four years as companies responded to a drop in workloads by lowering their staffing levels. Rates of inflation of both input costs and output prices quickened at the end of the year, with charges rising at a pace that remained above the series average.

The overall reduction in business activity was recorded as a deepening downturn in manufacturing production outweighed a modest return to growth of services activity following a first contraction in ten months during November. The fall in manufacturing output in December was the twenty-first in as many months and the most marked for a year.

As has now been the case for several months, the overall reduction in business activity in the euro area was reflective of falls in the largest two economies – Germany and France. Both remained in contraction during December, with rates of decline easing only slightly from the previous month. In contrast, the rest of the Eurozone posted a solid increase in output at the end of the year, with the rate of expansion reaching a six-month high.

Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, was below the 50.0 no-change mark for the second consecutive month in December to signal a further reduction in business activity at the end of 2024. At 49.5, however, the latest reading was up from 48.3 in November, pointing to a softer and only marginal fall in output.

A marked reduction in output in the manufacturing sector just outweighed a renewed increase in the much larger service sector. December saw services activity rise modestly, following a slight fall in November, with the pace of growth similar to those seen in September and October. Manufacturing production, meanwhile, decreased to the largest extent since the corresponding month last year.

Companies in the Eurozone continued to face challenges securing **new orders** in December. New business decreased for the seventh consecutive month, with falls recorded in both manufacturing and services. The rate of contraction was solid, albeit weaker than in November.

New export orders (which include intra-Eurozone trade) fell again, and even more quickly than total new business. New business from abroad was down markedly, but to the least extent since August as both monitored sectors saw rates of contraction ease from the previous month.

Employment

With new orders and business activity falling, companies reduced their **staffing levels** again in December, the fifth month running in which this has been the case. Although remaining modest, the pace of job cuts quickened to the most pronounced in four years. A solid reduction in manufacturing employment was accompanied by a near-stagnation in the service sector. Workforce numbers decreased in Germany and France, but continued to increase across the rest of the Eurozone.

Meanwhile, **backlogs of work** decreased for the twenty-first consecutive month. The pace of depletion remained solid, despite easing to the weakest since July.

Prices

Input prices increased at a marked pace in December, and one that was the fastest in four months. The rate of inflation was broadly in line with the pre-pandemic average. Rising costs reflected a sharp and accelerated increase among service providers. Manufacturing input costs continued to fall, albeit only marginally and at the slowest pace in the current four-month sequence of reduction.

The pace of **output price** inflation also accelerated at the end of the year, quickening for the third month running to the fastest since August, but remaining well below the peak seen in 2022. As was the case with input costs, the rise in charges was centred on the service sector.

Inventories and supply chains

Eurozone manufacturers reduced their **purchasing activity** again in December, with the sharp decline in input buying the most pronounced of any month in 2024. Further marked declines in **inventories of both purchases and finished goods** were also registered. In fact, the rate of depletion in stocks of finished goods was the strongest since July 2021. Meanwhile, **suppliers' delivery times** lengthened only marginally.

Outlook

After dropping to a one-year low in November, **business confidence** regained some ground in December but remained weaker than the series average. Optimism in the 12-month outlook for output strengthened in both the manufacturing and services sectors, with service providers remaining more confident than their manufacturing counterparts. Sentiment in Germany and France was much weaker than seen in the rest of the euro area, although optimism was signalled across the board.

Comment

Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“The end of the year is somewhat more conciliatory than was generally expected. Service sector activity returned to growth territory and is showing a noticeable, if not exuberant, pace of expansion, similar to that seen in September and October. While manufacturing is still deep in recession, the rebound in services output is a welcome boost for the overall economy.”

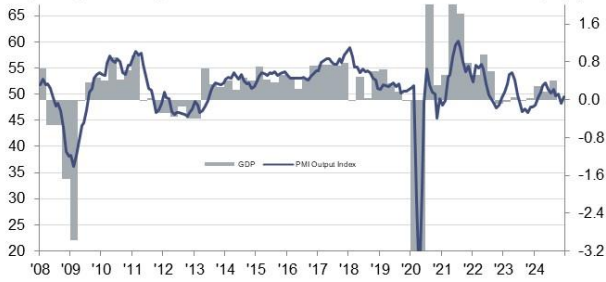
“At their December 12 meeting, the ECB mentioned they are closely watching service sector inflation, which remains well above general inflation. The PMI price indicators are not giving any reassurance here – input costs rose at a faster pace for the third month in a row, and selling prices followed suit. Higher wage agreements are partly to blame, as businesses pass these costs on to customers. Given this backdrop, the ECB played it safe by only cutting interest rates by 25 basis points.”

“The manufacturing sector’s situation is still pretty dire. Output fell at a quicker pace in December than at any other time this year, and incoming orders were down too. The destocking cycle in inventories shows no sign of stopping either. Meanwhile, global manufacturing PMI data signalled a stabilisation in operating conditions in November, offering a glimmer of hope that the downward trend might not continue unabated in the eurozone.”

“Germany and France, the eurozone’s two biggest economies, are currently in politically uncertain waters. This is preventing the necessary reforms from being implemented in the short term to boost growth again and is contributing to the ongoing weakness in both countries. However, this situation also entails upside risks. If future governments manage to chart a clear course, there could still be positive surprises next year. Eurozone companies were actually slightly more confident than in November that business activity will be higher a year from now than it is today.”

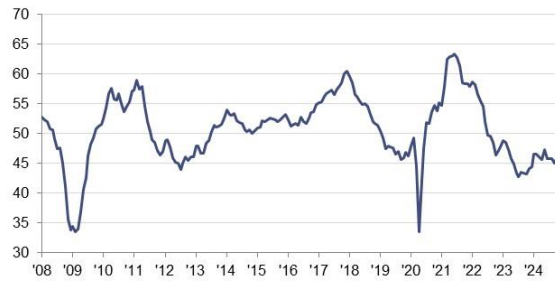
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HCOB Eurozone Composite PMI Output Index
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

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Note to Editors

Final December data are published on 2 January for manufacturing and 6 January for services and composite indicators.

The HCOB Eurozone PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Composite Output Index ¹	0.0	0.3
Manufacturing PMI ³	0.0	0.2
Services Business Activity Index ²	0.1	0.3

The Purchasing Managers' Index™ (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

Notes

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question “Is the level of business activity at your company higher, the same or lower than one month ago?”
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers’ delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question “Is the level of production/output at your company higher, the same or lower than one month ago?”

Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank’s portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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S&P Global (NYSE: SPGI)

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About PMI

Purchasing Managers’ Index™ (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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